

Message Text

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PAGE 01 BUENOS 05948 042046Z

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TAGS: PARM, PINR, TECH, AR, CA

SUBJECT: STATUS OF ARGENTINE-CANADIAN NUCLEAR COOPERATION

REF: STATE 208768

1. SUMMARY. ARGENTINE-CANADIAN EMBALSE POWER REACTOR PROJECT CURRENTLY HUNG UP ON RENEGOTIATION OF CONTRACT AND CANADIAN INSISTENCE ON ADDITIONAL SAFEGUARDS. ARGENTINA WISHES PROCEED WITH HEAVY WATER PLANT, BUT THIS ALSO STALLED ON SAFEGUARDS ISSUE. EMBASSY ASSESSMENT OF SITUATION GENERALLY AGREES WITH PARA 2 REFTEL. END SUMMARY.

2. DURING COURSE OF EXTENSIVE TOUR D'HORIZON OF INTERNATIONAL AND ARGENTINE NUCLEAR MATTERS OVER LUNCH WITH CNEA NUCLEAR REACTORS AREA DIRECTOR MARIO BANCORA, S&T COUNSELOR/ERDA SCIREP GOT STRAIGHTFORWARD ACCOUNT OF STATE OF PLAY FROM ARGENTINE SIDE. MEMCON WILL FOLLOW WITH THIS AND OTHER INFO LEARNED.

3. EMBALSE PROJECT CURRENTLY FACING TWO VERY MAJOR PROBLEMS: (1) AECL/ITALIMPIANTI CONSORTIUM INSISTING ON RENEGOTIATING THE CONTRACT, LARGELY BECAUSE OF HYPER-INFLATION WHICH HAS TAKEN PLACE IN ARGENTINA, I.E. HUGE WAGE AND OTHER COST INCREASES WHICH HAVE EXCEEDED BY FAR A

SECRET

SECRET

PAGE 02 BUENOS 05948 042046Z

25 PERCENT CEILING CLAUSE ON ESCALATION WHICH IS IN PRESENT

CONTRACT. CNEA, WHICH SAYS IT HAD REGARDED THIS CLAUSE AS A KEY ONE AND PUBLICLY DEFENDED CONTRACT ON THAT BASIS, FINDS THIS DIFFICULT TO SWALLOW AND CURRENTLY STANDING PAT. (2) CANADIANS ARE INSISTING ON A BILATERAL AGREEMENT FOR COOPERATION, FULLY RATIFIED BY ARGENTINE CONGRESS, TO PROVIDE FOR BILATERAL SAFEGUARDS IN ADDITION TO IAEA SAFEGUARDS. WHILE ARGENTINA (PER BANCORA) COULD ACCEPT THIS, CANADIANS HAVE TWICE ADDED MORE SEVERE RESTRICTIONS AFTER INFORMAL AGREEMENT REACHED. PRESENT DRAFT IS SAID TO CONTAIN CLAUSES WHICH PROVIDE FOR CANADIAN PRIOR APPROVAL OF SUCH THINGS AS MOVEMENT OF SPENT FUEL, GIVING CANADA A "VETO POWER" OVER MANY DECISIONS. BANCORA SEES NO WAY GOA COULD ACCEPT SUCH WORDING AND OBTAIN APPROVAL OF ARGENTINE CONGRESS. ANYONE (SUCH AS HIMSELF) WHO PROPOSES SUCH A THING HERE WOULD, HE THINKS, QUICKLY FIND HIMSELF DISMISSED FROM A POSITION OF ANY RESPONSIBILITY. ARGENTINA QUITE WILLING, SAYS BANCORA, TO SIGN LETTER PLEDGING NO USE FOR PNES OR EVEN A BILATERAL PROVIDING LANGUAGE OF LATTER NOT SO ONEROUS. WHILE EMBALSE WORK STILL CONTINUING, BANCORA FEARS IT MAY SOON STOP BECAUSE OF EITHER OR BOTH OF ABOVE PROBLEMS.

4. BANCORA FEELS THAT CANADIAN TECHNOLOGY STILL BEST WAY FOR ARGENTINA TO GO FOR FUTURE NUCLEAR POWER PLANTS. HE DISCOUNTS INDIA AS SERIOUS SUPPLIER BECAUSE IT IS ONLY BUILDING 200MW(E) SIZE PLANTS AND IS HAVING PLENTY OF DIFFICULTIES WITH THESE. WITH NO MONEY AVAILABLE HERE, HOWEVER, THERE IS NO RPT NO FORWARD MOVEMENT ON ATUCHA 2 OR SUBSEQUENT PLANTS.

5. BANCORA SAYS THAT THE HEAVY WATER PLANT PROJECT WILL MOVE AHEAD SOON TO THE POINT OF ASKING FOR TENDERS. HE SAYS THAT IT WILL BE A D2O PLANT ONLY, NOT RPT NOT CONNECTED TO A FERTILIZER PLANT, AND THAT IT WILL BE BUILT NEAR THE ELCHOCON HYDROELECTRIC PROJECT. FURTHER DISCUSSION DISCLOSED, HOWEVER, THAT (A) THE \$200 MILLION OR SO COST WON'T BE EASY FOR CNEA TO COME UP WITH, AND (B) TO DATE, CNEA HAS BEEN TRYING TO MOVE THIS PROJECT AHEAD IN COOPERATION WITH CANADA, BUT IT IS ALSO HUNG UP FOR REASON (2) IN 3 ABOVE. BANCORA SAYS CNEA

SECRET

SECRET

PAGE 03 BUENOS 05948 042046Z

WILLING ACCEPT INTERNATIONAL SAFEGUARDS ON THIS PLANT AS WELL, BUT BALKING AT SOME OF ADDITIONAL RESTRICTIONS RAISED BY CANADA.

6. ON CHEM PROCESSING, BANCORA EXPRESSED DISCOURAGEMENT ABOUT BEING ABLE TO MOVE AHEAD IN THIS FIELD. AFTER DISCUSSING PROBLEMS OF CHEM PROCESSING PLANTS IN U.S., BANCORA ADMITTED (FOR FIRST TIME TO SCICOUNS) THAT IT

MIGHT NOT RPT NOT MAKE ECONOMIC SENSE FOR ARGENTINA TO
MOVE AHEAD IN THIS AREA.

7. SCICOUNS ASKED IF BANCORA THOUGHT CANADA WOULD RELAX
A BIT IF ARGENTINA WERE PARTY TO NPT. BANCORA THOUGHT
THEY MIGHT, AND HE AGREED THIS MIGHT BE EASIER COURSE FOR
GOA TO FOLLOW.

8. COMMENT: WE BELIEVE ABOVE INFO TO BE GENERALLY
ACCURATE AND SUGGEST THAT SOME OF ANALYSIS AND INITIAL
ASSESSMENT PROVIDED REFTEL SHOULD BE ALTERED TO REFLECT IT.
IN PARTICULAR, ARGENTINA-CANADIAN NEGOTIATIONS FOR FUTURE
REACTORS APPEAR PRETTY WELL STALLED AND EMBALSE PROJECT
ITSELF COULD EVEN BE SCRAPPED. WE DOUBT THAT THE
"TECHNOLOGY TRANSFER AGREEMENT" WOULD, EVEN IF OTHER
PROBLEMS SOLVED, LEAD TO ANYTHING LIKE THE SERIES OF
INTERLOCKING COMMERCIAL JOINT VENTURES AS ENVISIONED IN
THE BRAZIL/FRG ACCORDS. IT IS CORRECT THAT CNEA WANTS TO
BUILD A FUEL FABRICATION PLANT, A FACTORY TO MAKE PRESSURE
TUBES, AND A HEAVY WATER PLANT, AND THAT THEY HAVE BEEN
DISCUSSING WAYS TO ACCOMPLISH THIS WITH THE CANADIANS.
THEY MAY HAVE ALSO RAISED REPROCESSING QUESTION, BUT ARE
WELL AWARE THAT CANADIANS LACK LARGE PLANT EXPERTISE IN
THIS FIELD. THE PILOT PLANT IS UNLIKELY TO BE READY BY
THE END OF 1977 AND IN ANY EVENT BANCORA IS AWARE THAT
IT WILL BE THE SUBJECT OF U.S.-ARGENTINE CONSULTATIONS
AS IT IS INTENDED TO REPROCESS U.S. ORIGIN RA-3 FUEL.
ON THE SIERRA PINTADA URANIUM MILL, BANCORA SAYS FRENCH
AND CANADIAN FIRMS HAVE SUBMITTED BIDS TO SUPPLY THE
EQUIPMENT AND THAT A CANADIAN FIRM (SIMON?) IS LIKELY
TO GET THE JOB. OF COURSE, IT IS TRUE THAT IF RPT IF STATED
INTENTIONS OF CNEA WERE FULLY REALIZED, ARGENTINA WOULD
ARRIVE AT INDEPENDENT FUEL CYCLE CAPABILITY, ALBEIT WITH
SECRET

SECRET

PAGE 04 BUENOS 05948 042046Z

SOME MEASURE OF SAFEGUARDS. IN SUM, OUR INFO TENDS AGREE
PRETTY MUCH WITH DEPARTMENT ASSESSMENT AS INDICATED PARA 2
REFTEL.

9. DEPT. MAY WISH ALSO REPEAT THIS INFO AND REFTEL TO
IAEA VIENNA, NEW DELHI, BONN, BRASILIA, RIO, PARIS, ROME
AND USEC BRUSSELS.
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